TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 612 - HB 1252

March 16, 2017

SUMMARY OF BILL: Requires a health insurance entity, within ten days after receiving a claim by electronic submission for a service that was approved under a health insurance entity's preauthorization process before it was performed, to pay the total covered amount of the claim if the entire claim was approved under the preauthorization process or, if only a portion of the claim was approved under the preauthorization process, pay the covered amount of the portion of the claim that was approved under the preauthorization process and respond to any remaining portion in accordance with subdivision (b)(1)(B) of Tenn. Code Ann. § 53-7-109.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - $785,600

Increase Federal Expenditures - $51,400

Assumptions:

- Pursuant to Tenn. Code Ann. § 56-7-109, a health insurance entity or third-party administrators (TPAs) have 21 calendar days to pay a claim for which prior authorization was provided and subsequently, a service was provided to the insured; however, prior authorization does not necessarily mean the claim will be paid in full despite receiving such authorization.
- A claim may be approved by prior authorization and the provision of care performed; the insurer may afterwards determine that only a portion of the claim is clean. A clean claim requires no further information from the healthcare provider and therefore, will be reimbursed. If a portion of the claim is judged unclean by the insurer, such insurer must notify the provider in writing of all the reasons the claim is not clean and will not receive reimbursement. The insurer must subsequently provide the healthcare provider what information must be received to adjudicate the unclean portion as clean.
- Requiring a claim to be paid within 10 days of electronic submission will limit health insurers' ability to perform pre-pay reviews and therefore, catch portions of claims that received prior authorization, but upon further review, would have been adjudicated as lacking documentation and information supporting the claim. It is assumed that insurers will need additional personnel to perform expedited reviews on such claims.

- The Department of Finance and Administration, Division of Benefits Administration, has two TPAs. In calendar year 2015, the carriers adjudicated 8,230,357 claims. Approximately five percent of the claims or 411,518 (8,230,357 claims x 5.0%) received prior authorization. Assuming the same volume of claims for FY17-18 and subsequent years, these carriers will need to dedicate personnel to effectively adjudicate these claims and meet the required 10-day limit.
- The Division compensates the TPAs by an actuarially determined per-member per-month fee. Based on information provided by the Division, the increase in state expenditures to adjudicate these claims is estimated to be $785,000.
- The proposed legislation exempts all TennCare programs except CoverKids.
- The Bureau contracts with three TPAs. Each has reviewed its ability to meet this 10-day requirement and subsequently determined that one will incur costs for one new position.
- The total increase in expenditures to the Bureau's TPA for personnel costs is estimated to be $52,000 for salaries and benefits.
- These expenditures will be paid 98.92 percent federal matching funds; therefore, the state portion is 1.08 percent.
- The increase in recurring state expenditures is estimated to be $562 ($52,000 x 1.08%).
- The increase in recurring federal expenditures is estimated to be $51,438 ($52,000 x 98.92%).
- The total recurring increase to state expenditures is estimated to be $785,562 ($785,000 + 562).
- Based on information provided by the Department of Commerce and Insurance, the proposed legislation will have a minimal impact on the Division and can be enforced using existing resources within the Department.

IMPACT TO COMMERCE:

Increase Business Revenue – Exceeds $837,000

Increase Business Expenses -- $837,000

Assumptions:

- TPA's and healthcare providers will experience a recurring increase in business expenditures of at least $837,000 ($51,438 + $785,562).
- Insurers and healthcare providers will pass on such costs to plan subscribers by increasing rates. Due to multiple unknown factors, the extent to which insurance providers will increase premiums to offset rising costs is unknown, but it is reasonable to presume rates will increase sufficient to recapture all additional business expenditures. As a result, the recurring increase in business revenue is estimated to exceed $837,000.

- It is likely that requiring a 10-day turnaround on claim reimbursements will result in healthcare providers experiencing an increase in revenue due to insurers' inability to perform pre-pay review on claims with prior authorization. Due to multiple unknown factors, this impact cannot be quantified.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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